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ABSTRACT

This teacher's guide presents material for a unit on preparing for the retail fashion market. Content focuses on merchandise plans, computing open-to-buy, computing turnover, the components of a model stock plan, and criteria used when selecting a supplier. The guide contains 5 objectives, 6 group learning activities keyed to the objectives, 21 transparency masters with dialogue for each, and 5 alternate group activities. A pretest and posttest with answers complete the unit. (KC)

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FASHION BUYING SERIES

TEACHER EDITION

PREPARING FOR THE MARKET

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Competency: Preparing for Fashion Buying

Objectives:

A Demonstrate an understanding of the merchandise plan.

B Compute open-to-buy.

C Compute turnover.

D List the component of a model stock plan.

E List criteria used when selecting a supplier.

I GROUP LEARNING ACTIVITIES FOR OBJECTIVES A, B, C, D, AND E

This set of learning experiences involves a group presentation followed by some application exercises. The focal points of the lesson are:

1. Discussing the purpose of a merchandise plan.
2. Discussing how open-to-buy relates to the merchandise plan and how it is computed.
3. Discussing how stock turnover relates to the merchandise plan and how it is computed.
4. Discussing the purpose of a model stock plan and its primary components.
5. Discussing the process of assortment planning with regards to model stock of fashion goods.
6. Listing criteria to use when making vendor selections.

Transparency masters, notes below, and exercises are included for your use.

Transparency Number		Message
A	1	Begin by pointing out the element of the six month plan on the form. Show sales, stocks (shown as retail E.O.M. and retail B.O.M.), markdowns (shown as reductions) and retail purchases. Discuss how the plan not only has allotted space for either a spring or fall plan, but has given space for

Transparency Number		Message
		showing last years figures, plan and actual for the buyer to use in making a judgment on the figures he or she will use.
	2	This six month plan is filled out with the exception of actual figures which are filled in as they occur. Remind the students that the plan is based on 1) past store figures, 2) changes in competition, 3) trade statistics, and 4) economic forecast. Discuss the retail purchase formula as shown vertically and ask students to identify how the equation is formulated.
B	3	Explain that the basic formula for open-to-buy is Merchandise Needed - Merchandise Available = Open-To-Buy. Discuss the fact that included in merchandise needed is 1) planned sales, 2) planned reduction, and 3) end-of- month inventory. Included in merchandise available is 1) merchandise on hand and 2) merchandise on order. This particular formula is open-to-buy calculated at the beginning of the month, but it may be calculated at any time with varying formulas.
C	4	Discuss that the stock turnover figure which is calculated by the formula shown, is utilized in the development of the merchandise plan when figuring the B.O.M. stock figure. It is also significant when evaluating how well a department or store is moving goods. Generally speaking the higher the turnover, the better and more quickly the goods are being sold.
D	5	Relate to the student that even though a well thought out merchandise plan and open-to-buy have been developed, that the buyer must also have a plan to use when selecting merchandise. This is known as a model stock plan.

Transparency Number	Message
6	For the fashion buyer, two distinct plans should be developed. The first is for staple merchandise, or that which enjoys long term salability. Discuss what type of merchandise might be included in a staple stock plan in addition to those shown on the transparency.
7	The real dilemma for the buyer comes in making a model or assortment plan for fashion goods. The process is lengthy and requires a detailed analysis of merchandise in order to suit the customers wants and needs and to assure the buyer of sales.
8	As an example, ask the students to "walk" with you through the planning stage of one classification of merchandise. Remind them that this is the process required of each classification to prepare the buyer to buy correctly.
9	The first step in the imaginary scenario or a sportswear department, is to look at it by classification. The buyer would examine each class by last years and planned sales figures, noting increases and decreases. For the sake of this exercise, you should ask the students to note the skirt classification. The sales and stock are both planned to increase.
10	Nov the buyer would look at the skirt classification by style. The buyer, again, would focus in on planned versus last years figures. This exercise will elaborate on below-the-knee textured skirts. Remind the students that the process you are going through will be the same for each "style" within a classification. Note that both sales and stock are planned for an increase.

Transparency Number	Message
11	The buyer would then look at below-the-knee textured skirts by price ranges. Discuss that the buyer analyzes last years figures to aid in the determination of what will be done this year. The buyer also uses both internal and external sources of information to help them in his or her decision of what to buy. Focus now on the $30 price range as it will be further developed.
12	It is now time for the buyer to distribute size plans. This, too, is based upon last years figures as well as additional resources. Point out where increases and decreases have been made and ask the students to speculate why these decisions are made.
13	The final step, before all of the information is compiled, is the color decision. In fashion, this one may be primarily made upon what resources have been made available for the season as well as what fashion predictors have indicated may be "good". However, the buyer should know his or her own customer best and should temper the predictions with that and past sales knowledge. Ask the students what they might consider when making this decision.
14	Finally, the buyer can compile a distribution summary for below-the-knee textured skirts in the $30 price range. Included will be the "model stock plan" or "assortment plan" which the buyer will use to make his or her purchases. Emphasize that this process is completed for every classification and price for the most accurate buys.
15	Although the previous process is one method, there are others such as the one shown here. The format may be different, but the basic elements are included such as classification, size, color, quantity, style and price.

Transparency Number		Message
E	16	Now that the buyer has determined "what" to buy, he or she must decide from "whom" to buy. There are many suppliers, known as vendors, that the buyer has to choose from. Therefore, the buyer must use some criteria in the method of selection.
	17	One method of selection is the merchandise offered. No vendor should be considered unless they have exactly what the buyer needs. That is why a detailed model stock plan is necessary. It not only is a scientific method of determining needs, but it protects the buyer from purchasing merchandise that is neither wanted or needed.
	18	Another factor that a buyer can rely on is pricing. This also bleeds over into distribution policies as a method of criteria. The buyer must check to see if the vendor is selling the same merchandise to direct competition, and if they are, are they doing so at the same price. No buyer wants to purchase goods which will be sold for a lower price just across the street.
	19	The buyer may also want to ask the vendor if they offer any incentives such as co-op dollars or specially priced merchandise. This may aid the buyer in the overall profitability of his or her department or store by taking advantage of the "extras".
	20	Finally, the buyer will want to secure undisputed record of vendor shipping and delivery policies. If a vendor has the right merchandise at the right prices but ships broken assortments or not at all, then both the buyer and the customer suffer.
	21	The buyer is now ready to make purchases. He or she has done the preliminary work necessary to assure that the customer's needs and wants will be met and as a result enabling the buyer to look forward to the desired profit.

II ALTERNATE GROUP ACTIVITIES

A-E Break the class into main groups. Ask each group to select a well established store which is locally owned and operated to use for this project. The students are to do an interview with the buyer of the store regarding his or her development of 1) a merchandise plan 2) how and when he or she figures open-to-buy (is it done continually?, is it done manually?, is it done by computer?) 3) how and when stock turnover is figured 4) what kind of model stock plan is used and the process involved (is it done only for staple stock?, is it done on all merchandise?, when is it figured?) and 5) how the buyer selects the suppliers he or she uses. What is the criteria and when does he or she decide to try a new one, or get rid of an old one? How many does he or she have? Does the buyer try new vendors all the time?

Suggest that each student take one of the specific objectives to ask the buyer. Give them an appropriate amount of time to complete the assignment and then have them give a group report to the class. After each group has presented their information, discuss similarities and differences.

Six Month Merchandise Planning Form

SIX MONTH
MERCHANDISE PLAN

DEPARTMENT _____

DEPARMENT NO _____

FROM _____ 19___

TO _____ 19___

Department
Control Data

	L.Y.	T.Y.
% Initial Markup		
% Reductions		
% Maintained Markup		
% Alteration Expense		
% Cash Discount		
% Gross Margin		
% Operation Expense		
% Net profit		
Season Turnover		
Control Period		

Planning and Authorization

Buyer _____

Merchandise
Controller _____

Date
Prepared _____

Date
Authorized _____

	Spring / Fall	Feb / Aug	Mar / Sept	Apr / Oct	May / Nov	June / Dec	July / Jan	Total
Sales	Last Year							
	Plan							
	Actual							
Retail EOM	Last Year							
	Plan							
	Actual							
Reductions	Last Year							
	Plan							
	Actual							
Retail BOM	Last Year							
	Plan							
	Actual							
Retail Purchases	Last Year							
	Plan							
	Actual							
Cost Purchases	Last Year							
	Plan							
	Actual							

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Transparency 1

A Completed Merchandise Plan

SIX-MONTH
MERCHANDISE PLAN

DEPARTMENT Ladies Sportswear

DEPARMENT NO 622

FROM February 1 19__

TO July 31 19__

Department
Control Data

	LY	TY
% Initial Markup	39.2	39.4
% Reductions	11.0	8.0
% Maintained Markup	32.5	33.5
% Alteration Expense	1.0	1.0
% Cash Discount	2.0	2.0
% Gross Margin	33.5	34.5
% Operation Expense	31.0	31.0
% Net profit	2.5	3.5
Season Turnover	2.0	2.5
Control Period		

Planning and Authorization

Buyer J. Edwards

Merchandise Controller Al Paul

Date Prepared Nov. 15

Date Authorized Nov. 25

	Spring / Fall	Feb / Aug	Mar / Sept	Apr / Oct	May / Nov	June / Dec	July / Jan	Total
Sales	Last Year	$37,300	$50,400	$42,000	$35,700	$33,600	$21,000	$210,000
	Plan	39,030	50,820	53,130	36,960	36,960	23,100	231,000
	Actual							
Retail EOM	Last Year	120,400	112,000	105,700	103,600	91,000	105,000	637,700
	Plan	109,720	107,030	99860	90,860	77,000	92,6	562,870
	Actual							
Reductions	Last Year	2,772	1,155	4,158	5,544	5,082	4,389	23,100
	Plan	2,402	1,109	5,914	5,544	1,848	1,663	18,480
	Actual							
Retail BOM	Last Year	97,300	120,400	112,000	105,700	103,600	91,000	630,000
	Plan	43,930	104,720	107,030	90,860	90,860	77,000	554,400
	Actual							
Retail Purchases	Last Year	53,172	43,155	39,859	39,144	26,092	39,389	240,800
	Plan	53,222	54,239	42,879	42,504	24,948	49163	257,950
	Actual							
Cost Purchases	Last Year	32,329	26,238	24,234	23,900	15,858	23,999	146,402
	Plan	32,785	33,411	26,440	26,182	15,368	24,790	158,896
	Actual							

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Transparency 2

Open to Buy Formula

Merchandise Needed	Planned Sales
	+ Planned Reductions
	+ Planned E.O.M.
	= Total Merchandise Needed
Merchandise Available	– Planned B.O.M.
	= Planned Purchases
	– Outstanding Orders
	= Open-to-Buy

Figured at Beginning of the Month

Transparency 3

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Stock Turnover Formula

$$\frac{\text{Sales}}{\text{Average inventory (at selling price)}} = \text{turnover}$$

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A Buyer Must Have A Plan

"No, I don't need that style in my assortment this season."

"Well, I really don't know if I could use that style or not. It sure is cute though. . . OK write me an order for a full size range."

"A buyer must be sure of his or her needs in order to make merchandise purchases that will sell."

Staple Goods

- underwear
- socks
- hosiery
- men's shirts
- some accessories
  - —wallets
  - —neck ties
  - —handkerchiefs

"Goods that enjoy a long selling life."

Transparency 6

Fashion Goods

Everchanging:

- Styles
- Silhouettes
- Textures
- Fabrics
- Colors
- Details

"Fashion products require intense study to determine the most appropriate model stock"

Planning The Model Stock

Steps:

1. Analyze by classification
2. Analyze by style
3. Analyze by price lines
4. Analyze by sizes
5. Analyze by color
6. Prepare a distribution summary

Transparency 8

Model Stock Classification Analysis

Junior sportswear department classification summary, September

CLASSIFICATION		SALES 1983	SALES PLANNED	STOCK (DOLLARS) 1983	STOCK (DOLLARS) PLANNED	STOCK (QUANTITIES) 1983	STOCK (QUANTITIES) PLANNED
Sweaters		$ 8,500	$10,600	$21,400	$22,000	1,512	1,540
Shirts		3,500	4,200	7,600	8,000	760	800
Pants		11,000	12,000	27,000	29,000	1,350	1,400
Skirts		3,900	4,500	10,300	11,000	502	525
Outer jackets	•	7,800	7,300	17,000	15,000	156	140
Two- and three-piece coordinates	•	6,400	4,600	20,000	9,000	128	90
Blazers		1,800	1,800	6,000	6,000	150	150
Totals		$42,900	$45,000	$109,300	$100,000		

Transparency 9

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Model Stock Style Analysis

Junior sportswear department, style (subclassification) summary of skirts

STYLE	SALES 1983	SALES PLANNED	STOCK (DOLLARS) 1983	STOCK (DOLLARS) PLANNED	STOCK (QUANTITIES) 1983	STOCK (QUANTITIES) PLANNED
Below-the-knee—textures	$ 900	$1500	$2400	$4000	147	200
Below-the-knee—flannels	900	1200	2400	2700	140	170
Mid-calf—textures	600	700	1400	1500	40	50
Mid-calf—flannels	700	700	1600	1600	42	42
Longer lengths—assorted	800	400	2500	1200	50	25
	$3900	$4500	$10300	$11000	419	487

Transparency 10

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Model Stock Price Line Analysis

Junior sportswear department, price breakdown—below-the-knee textured skirts

PRICE	SALES 1983	SALES PLANNED	STOCK (DOLLARS) 1983	STOCK (DOLLARS) PLANNED	STOCK (QUANTITIES) 1983	STOCK (QUANTITIES) PLANNED
$25	$300	$390	$900	$1075	36	43
30	600	900	1500	2400	50	80
35	—	210	—	525	—	15
	$900	$1500	$2400	$4000	86	138

Transparency 11

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Model Stock Size Analysis

Junior sportswear department, size analysis—$30 below-the-knee textured skirts

SIZES	SALES 1983	SALES PLANNED	STOCK (DOLLARS) 1983	STOCK (DOLLARS) PLANNED	STOCK (QUANTITIES) 1983	STOCK (QUANTITIES) PLANNED
5	2	3	$180	$270	6	9
7	3	4	240	360	8	12
9	4	5	270	480	9	16
11	5	9	360	600	12	20
13	4	6	270	420	9	14
15	2	3	180	270	6	9
	$600	$900	$1500	$2400	50	80

Transparency 12

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Model Stock Color Analysis

Junior sportswear department, color breakdown—$30 below-the-knee textured skirts

COLORS	SIZES					
	5	7	9	11	13	15
Gray	3	4	5	6	4	3
Brown	3	4	5	6	4	3
Cranberry	2	3	4	6	4	2
Green	1	1	2	2	2	1
Total	9	12	16	20	14	9

Transparency 13

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Model Stock Distribution Summary

Junior sportswear department, distribution summary, skirts (excerpted)

STYLE	PRICE	QUANTITY	COLORS	SIZES					
				5	7	9	11	13	15
Below-the-knee—textured	$30	80	Gray	3	4	5	6	4	3
			Brown	3	4	5	6	4	3
			Cranberry	2	3	4	6	4	2
			Green	1	1	2	2	2	1

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Example Model Stock Form

MODEL STOCK PLAN I

Department: Men's Clothing
Dept No: 644
Season: Fall-Winter ✓
Spring-Summer
Item: 2-Piece Suits
Retail Price: $175.00
Buyer: Taylor Deans

CLASSIFICATION	SIZE	QUANTITY FOR MODEL STOCK		COLOR SELECTIONS: Plains #36		Stripes #41		Checks #48							
		%	#	%	#	%	#	%	#	%	#	%	#	%	#
2-Button	36	5	2	1/3		1/2	1	1/3	1						
	38	15	7	1/3	3	1/3	2	1/3	2						
% 25	40	25	11	1/4	3	1/2	5	1/4	3						
	42	30	14	1/4	3	1/2	7	1/4	4						
# 45	44	20	9	1/3	4	1/4	2	1/4	3						
	46	5	2	1/2	1	1/4	1	1/4							
TOTAL		100%	45		14		18		13						
3-Button	36	5	4	1/3	1	1/3	2	1/3	1						
	38	15	14	1/3	4	1/3	5	1/3	5						
% 50	40	25	23	1/3	8	1/3	8	1/3	7						
	42	30	27	1/2	13	1/4	7	1/4	7						
# 90	44	20	18	1/4	4	1/2	9	1/4	5						
	46	5	4	1/2	2	1/4	1	1/4	1						
TOTAL		100%	90		32		32		26						
Double Breasted	36	10	5	1/3	2	1/3	2	1/3	1						
	38	15	7	1/5	1	2/5	3	2/5	3						
% 25	40	30	13	1/5	3	2/5	5	2/5	5						
	42	25	11	1/3	4	1/3	4	1/3	3						
# 45	44	15	7	1/5	1	2/5	3	2/5	3						
	46	5	2	1/3	1	1/3	1	1/3							
TOTAL		100%	45		12		18		15						
PLANNED GRAND TOTAL			180		58		68		54						

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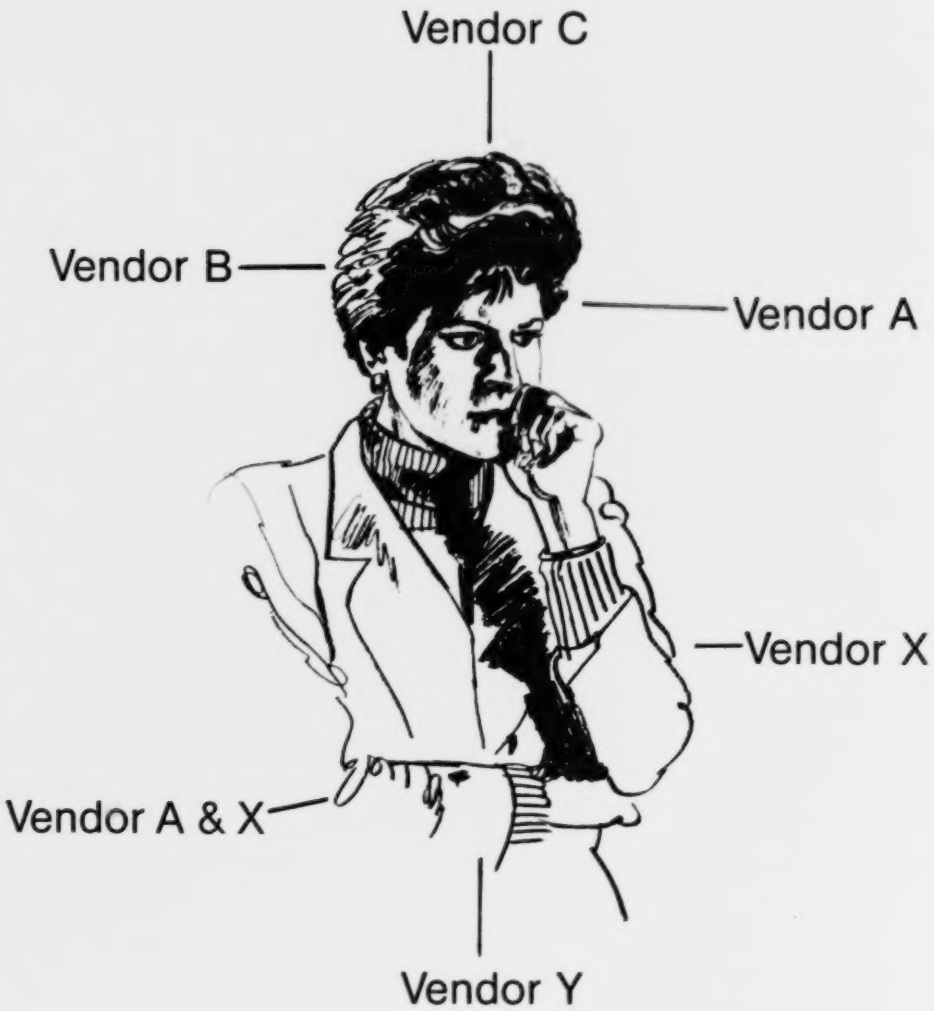
Transparency 15

"Who do I Buy From"



The buyer must look carefully at all options before selecting a vendor.

Transparency 16

Merchandise Selection as Vendor Criteria

Buyer: I'm not sure that this would be appropriate for my store.

Vendor: Then you don't need it in this season's assortment. Let me show you something else that might work.

"A good vendor is sensitive to the buyers merchandise needs."

Pricing and Distribution Policies

1. Who does the vendor sell to in your immediate competitive area?

2. Does the vendor sell to competition at the same price?

3. Does competition retail the same merchandise lower?

Questions to address when selecting resources

Promotional Policies

Vendor A allows a good co-op program giving me more money to advertise. Vendor A and Vendor B both have similar goods but B doesn't offer co-op. I think I'll use Vendor A.

Vendor D offers some good off price buys. I'll have to consider them as a resource as this could help me with special promotions.

Transparency 19

Shipping Policies

"They told me they would ship the merchandise three weeks ago?"

"It is important to consider the shipping history of your supplies."

Prepared To Buy

Fully prepared, the buyer is ready to make purchasing decisions which will insure optimum profitability.

Transparency 21

PRETEST KEY
(Before You Begin)

OBJECTIVE A

1. List the main elements of a six month merchandise plan.

   1. sales
   2. stock
   3. markdowns
   4. markup
   5. purchases

2. Discuss at least two factors other than the store's past figures, which should be considered when developing the merchandise plan.

   1. changes in competition
   2. trade statistics
   3. economic forecasts

3. What is the primary purpose of the merchandise plan.

   To be looked at as a skeletal budget which will enable the buyer to make appropriate merchandise decisions.

OBJECTIVE B

4. What is the formula for determining open-to-buy.

   OTB = Merchandise Needed - Merchandise Available

5. Merchandise available (when figuring open-to-buy) includes what factors?

   1. merchandise on hand
   2. merchandise on order

6. Merchandise needed (when figuring open-to-buy) includes what factors?

   1. planned sales
   2. planned markdowns or reductions
   3. EOM (end of month) inventory

PRETEST KEY (Cont'd)

OBJECTIVE C

7. Discuss the purpose of the stock turnover figure.

   1. It is used in figuring B.O.M. stock in the preparation of the six month merchandise plan.
   2. It is used to determine how efficiently merchandise is selling.

8. What is the formula for determining stock turnover?

$$\frac{\text{Sales}}{\text{Average Stock}} = \text{Turnover}$$

OBJECTIVE D

9. Describe the purpose of a model stock plan.

   It allocates dollars and/or units to selection factors considered most important.

10. Discuss a staple model stock plan.

    A staple stock plan is one type of model stock plan. It is based upon merchandise that enjoys long term salability.

11. List the components of the fashion stock plan.

    1. classification
    2. style
    3. price lines
    4. sizes
    5. color
    6. distribution summary

OBJECTIVE E

12. What is the ideal vendor selection criteria?

    The buyer should deal with and build a strong working relationship with a few "key" vendors. The remainder should be spent seeking out and testing new resources.

PRETEST KEY (cont'd)

13. List at least three factors to consider when determining which vendor(s) to select.

    1. the merchandise offered
    2. pricing policies
    3. distribution policies
    4. promotional policies
    5. shipping

14. What is involved in vendor promotional policies?

    1. cooperative advertising dollars
    2. off-price merchandise

POSTTEST

Circle the best answer(s) for each question.

OBJECTIVE A

1. The merchandise plan includes all but one of the following elements:

   a. markdowns

   b. retail purchases

   c. trade statistics

   d. stocks

2. When figuring the merchandise plan, the buyer must take into consideration many factors. These may include all but one of the following:

   a. internal information

   b. changes in the competitive environment

   c. information regarding economic changes

   d. methods of merchandising

3. The six month merchandise plan indicates _____ which should be realistic based on all of the known elements.

OBJECTIVE B

4. Open-to-buy is calculated by using the basic formula of:

   _____ _____ - _____ _____

   =

   open-to-buy.

5. When figuring open-to-buy, planned sales and planned markdowns are included in:

   a. merchandise needed

   b. actual figures

   c. merchandise available

   d. last years information

POSTTEST (Cont'd)

6. Open-to-buy is figured:

   a. at the beginning of the month

   b. at the end of the month

   c. anytime

   d. all of the above

OBJECTIVE C

7. The formula for stock turnover is:

8. Stock turnover is used to determine:

   a. purchases for the period

   b. efficiency of merchandise sales

   c. vendor efficiency

   d. reductions

OBJECTIVE D

9. _____ merchandise includes products that enjoy long term salability.

10. The purpose of a model stock plan is:

   a. figure gross margin

   b. determine if stock turnover was sufficient

   c. allocate dollars and/or units to selection factors considered most important

   d. develop promotional policies

POSTTEST (Cont'd)

11. A model stock plan based on fashion merchandise involves the analysis of many components. All but one of the following is included in that process.

    a. shipping status

    b. classification

    c. style

    d. price

OBJECTIVE E

12. Ideally, a buyer should deal with a _____ _____ vendors to develop a good and strong relationship.

13. When using the selection criteria of promotional policies, a buyer would consider whether or not a vendor offered:

    a. off-price merchandise

    b. kick backs

    c. knock off privileges

    d. competitive secrets

14. A buyer must be assured of adequate shipping policies when considering a vendor because:

    a. of the need to avoid partial shipments

    b. of merchandise timing

    c. of the need to optimize sales

    d. all of the above in timely fashion.

POSTTEST KEY

OBJECTIVE A

1. The merchandise plan includes all but one of the following elements:

   a. markdowns

   b. retail purchases

   * c. trade statistics

   d. stocks

2. When figuring the merchandise plan, the buyer must take into consideration many factors. These may include all but one of the following:

   a. internal information

   b. changes in the competitive environment

   c. information regarding economic changes

   * d. methods of merchandising

3. The six month merchandise plan indicates (goals) which should be realistic based on all of the known elements.

OBJECTIVE B

4. Open-to-buy is calculated by using the basic formula of:

   (Merchandise) (Needed) - (Merchandise) (Available) = open-to-buy.

5. When figuring open-to-buy, planned sales and planned markdowns are included in:

   * a. merchandise needed

   b. actual figures

   c. merchandise available

   d. last years information

6. Open-to-buy is figured:

   a. at the beginning of the month

   b. at the end of the month

   c. anytime

   * d. all of the above

OBJECTIVE C

7. The formula for stock turnover is:

$$\frac{\text{Sales}}{\text{Average Stock}} = \text{Turnover}$$

8. Stock turnover is used to determine:

   a. purchases for the period

   * b. efficiency of merchandise sales

   c. vendor efficiency

   d. reductions

OBJECTIVE D

9. (Staple) merchandise includes products that enjoy long term salability.

10. The purpose of a model stock plan is:

   a. figure gross margin

   b. determine if stock turnover was sufficient

   * c. allocate dollars and/or units to selection factors considered most important

   d. develop promotional policies

POSTTEST KEY (Cont'd)

11. A model stock plan based on fashion merchandise involves the analysis of many components. All but one of the following is included in that process.

* a. shipping status

b. classification

c. style

d. price

OBJECTIVE E

12. Ideally, a buyer should deal with a ___(few)_____ ___(key)___ vendors to develop a good and strong relationship.

13. When using the selection criteria of promotional policies, a buyer would consider whether or not a vendor offered:

* a. off-price merchandise

b. kick backs

c. knock off privileges

d. competitive secrets

14. A buyer must be assured of adequate shipping policies when considering a vendor because:

a. of the need to avoid partial shipments

b. of merchandise timing

c. of the need to optimize sales

* d. all of the above in timely fashion.

OPEN-TO-BUY ASSIGNMENT
(Answer Sheet)

1. A buyer had an inventory of $30,000 on May 1 and a planned EOM stock of $34,000 for May 31. Planned sales for the department were $26,000 and planned markdowns for the month were $2,500. As of May 1, the buyer had merchandise on order of $8,000 at retail to be delivered during the month. Planned initial markup was 45%. Calculate the buyer's OTB at retail at cost as of May 1.

Merchandise needed		
Planned sales	$26,000	
Planned markdowns	2,500	
Planned EOM stock	34,000	
		$62,500
Merchandise available		
Planned BOM stock	$30,000	
Stock on order	8,000	
		-38,000
OTB at retail		$24,500

STOCK TURNOVER ASSIGNMENT
(Answer Sheet)

1. Figure the stock turnover at retail for a 6-month period, February through July.

GIVEN: $88,000 net sales for 6-month period.

BOM stock (month)	Dollars
February	39,000
March	38,000
April	35,000
May	35,000
June	34,000
July	26,000
August	33,000

Note: The BOM stock for 1 month is the same as the preceding month's EOM stock.

SOLUTION:

(a) Determine average stock.

$$\text{Average stock} = \frac{\text{BOM for each month + last month's EOM}}{7}$$

$$= \frac{\$39,999 + \$38,000 + \$35,000 + \$35,000 + \$34,000 + \$26,000 + \$33,000}{7}$$

$$= \frac{\$240,000}{7} = \$34,285.71$$

(b) Determine stock turnover.

$$\text{Stock turnover} = \frac{\text{net sales}}{\text{average stock}}$$

$$= \frac{\$88,000}{\$34,286} = 2.57$$